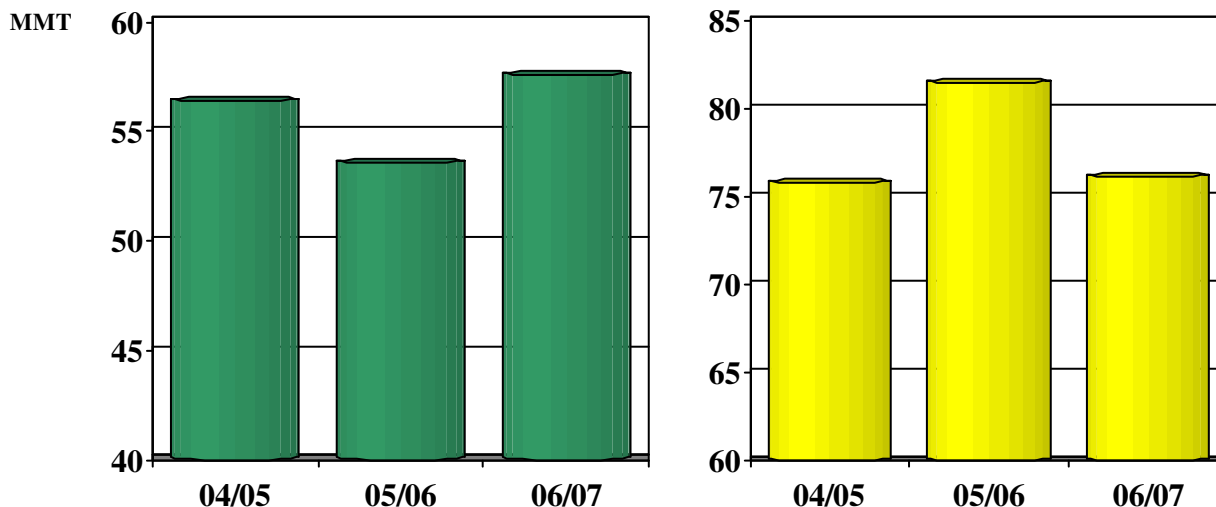

COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Feeding in Europe/Black Sea Region Shifts to Barley: The differing supply and demand situations between wheat and barley this year, and subsequent price spreads, are encouraging a shift in feeding towards barley. Very tight wheat supplies both in these regions and around the world have caused export prices to soar. This will likely draw supplies in the EU-25, Russia, and Ukraine from domestic feeding and into export channels, to be replaced by lower-priced ample barley supplies. A year ago, French barley prices were at a \$7 premium to wheat in Rouen, whereas now barley is at a \$24 discount. The situation has been similar in the Black Sea region, where barley export prices a year ago were at a \$10 per ton premium compared to milling wheat, and are now at a \$27 discount.

European/Black Sea Barley Feeding Rises... ...While Wheat Feeding Falls



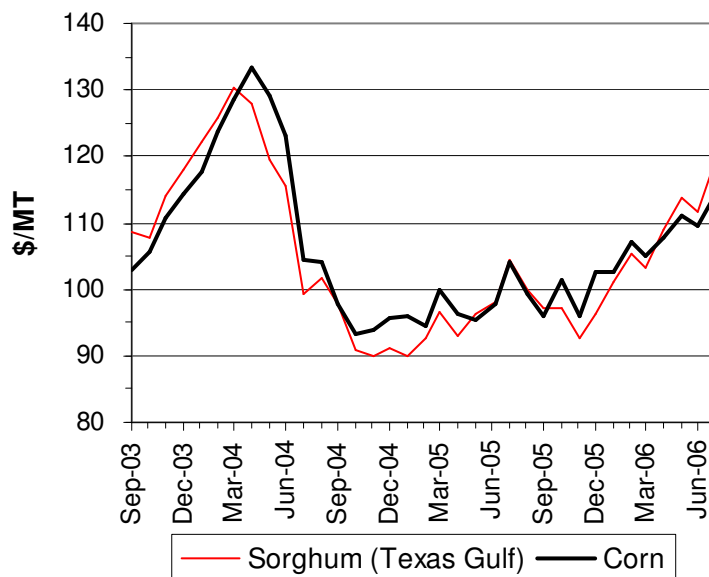
Note: Includes EU-25, Other Europe, Russia, and Ukraine

PRICES:

Domestic: July export bids for #2 yellow corn were up nearly \$5 per ton to \$114. Bids for #2 yellow sorghum (Texas Gulf) were up sharply by over \$7 to \$119 per ton.

Corn prices rose in July based on concerns over growing conditions with strong exports and domestic demand providing additional support. Sorghum export prices continue at a premium to corn and are supported by food aid shipments and prospects for a poor 2006 harvest.

U.S. Gulf Export Bids



TRADE CHANGES IN 2006/2007

Selected Exporters

- **EU-25 barley** is lowered 300,000 tons to 3.0 million on lower production and higher domestic feeding.
- **Ukraine barley** is up 300,000 tons to a record 4.6 million as production is raised this month.
- **United States sorghum** is down 500,000 tons to 4.3 as production is slashed to a 50-year low.

Selected Importers

- **Japan corn** is raised 300,000 tons to 16.5 million because of strong demand from the processing sector and buoyant imports this year.
- **Mexico corn** is cut by 500,000 tons both in 2005/06 and 2006/07 to 7.0 million but is still a record. The pace of shipments, quantity of *cupos*, and data on cracked corn imports (the latter excluded from the balance sheet) all argue for lower trade for both years.
- **Mexico sorghum** is cut by 500,000 tons to 3.1 million due to tight U.S. supplies.

TRADE CHANGES IN 2005/2006

Selected Importers

- **Canada, Columbia, Israel, Japan, Peru, Syria, and Taiwan corn** are each raised 200,000 tons based on the pace of shipments to date.
- **Iran corn** is slashed by 500,000 tons to 1.8 million based on the sluggish pace of shipments (2006/07 imports reduced to 1.8 million tons as well).
- **EU-25 corn** is reduced by 200,000 tons to 2.8 million based on the pace of shipments and import licenses.